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digitel Ltd.

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Digitech Ltd.

15th Floor, Bradie Building,
630 - 6th Avenue S.W.,
Calgary, Alberta T2P 0S8
Phone: (403) 265-3484

Digitech Systems

500, 441 - 5th Avenue S.W.,
Calgary, Alberta T2P 2V1
Phone: (403) 265-3484

Digiseis Exploration Inc.,

7108 South Alton Way,
Building #17D,
Englewood, Colorado 80112
Phone: (303) 770-8222

Digiseis Exploration Ltd.,

1242 - 34th Avenue N.E.,
Calgary, Alberta T2E 6L9
Phone: (403) 276-9831

Pennington Drilling & Blasting Ltd.,

7103 - 42 Street,
Edmonton, Alberta T6B 2T1
Phone: (403) 468-6797

Canan Cementers Co. Ltd.

Box #2, 441 - 5th Avenue S.W.,
Calgary, Alberta T2P 2V1
Phone: (403) 263-9000

Dyer Equipment Manufacturing Ltd.,

245 - 61 Avenue S.E.,
Calgary, Alberta T2H 0R4
Phone: (403) 253-0144

INTERIM REPORT TO SHAREHOLDERS

FOR SIX MONTHS ENDED
DECEMBER 31, 1980

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REPORT TO SHAREHOLDERS

DIGITECH LTD. is pleased to report significant improvement in revenues and earnings resulting in the following quarterly and six month results. Second quarter operations for fiscal 1981 resulted in consolidated revenues of \$9,324,000 as compared to prior year's revenues of \$4,482,000. Profits before extraordinary items were \$383,000 in the current quarter as compared to a \$190,000 profit before extraordinary recovery of income taxes payable of \$71,000 in the prior year.

The six months ended December 31, 1980 resulted in revenues of \$18,000,000 as compared to revenues of \$8,603,000 for the prior period. Net income for the six month period was \$778,000 as compared to net income of \$360,000 before recovery of prior period income taxes in the amount of \$167,000.

Diversification and capital additions planned for this fiscal year are proceeding as planned with exception of capital additions to CANAN CEMENTERS CO. LTD. As a result of an anticipated decline in activity in Canada due to the current dispute between the Federal and Provincial Governments the majority of CANAN's capital budget has been transferred to its American subsidiary of CANAN WELL SERVICES INC. operating out of Tulsa, Oklahoma. The delay arising from this transfer of capital has resulted in some under utilization of equipment. Coupled with the current high interest rates this has left CANAN CEMENTERS CO. LTD. under budget at the end of December 1980.

DIGISES EXPLORATION LTD., DIGISES EXPLORATION INC. and DIGITECH SYSTEMS have all enjoyed a successful first half of fiscal 1981 and currently exceed budget expectations.

The expansion of CANAN WELL SERVICES INC. and the potential of relocating geophysical crews into the United States in addition to the establishment of DIGISES EXPLORATION PTY. in Australia, will to some extent offset the adverse effects of the Canadian federal budget.

DIGITECH LTD. effected, as at October 1, 1980, the acquisition of the minority shareholdings of DYER EQUIPMENT MANUFACTURING LTD. through the issue of 109,600 common shares of DIGITECH LTD.

The company anticipates a successful year in achieving the growth objectives of management through fiscal 1981.

Consolidated Statement of Income

(Unaudited)

	For the Three and Six Month Periods	
	Three months ended December 31, 1980	Six months ended December 31, 1980
	1980	1979
Revenue	\$9,324,000	\$4,482,000
Expenses		
Operating	6,491,000	2,920,000
Administration	887,000	313,000
Interest -		
Long-term debt	494,000	237,000
Other	62,000	26,000
Depreciation and amortization	689,000	461,000
Income before income taxes	8,623,000	3,957,000
Provision for income taxes - current	701,000	525,000
- deferred	329,000	136,000
Minority interest	372,000	389,000
Income before extraordinary item	(11,000)	199,000
Extraordinary item:		
Reduction in current income taxes	383,000	190,000
Earnings per share:		
Income before extraordinary item	\$.11	\$.07
Income for the period	\$.11	\$.10

Consolidated Statement of Changes in Financial Position

(Unaudited)

	1980	1979	1980	1979
Working Capital Provided By:				
Operations	\$ 383,000	\$ 190,000	\$ 778,000	\$ 360,000
Add non-cash items -				
Depreciation	689,000	461,000	1,405,000	773,000
Minority interests	(11,000)	199,000	8,000	363,000
Deferred income taxes	0	0	125,000	0
Extraordinary item - net of non-cash item	1,061,000	850,000	2,316,000	1,496,000
Issue of share capital	1,260,000	71,000	1,320,000	121,000
Issue of long-term debt	4,000,000	293,000	5,500,000	293,000
Sale of investment	49,000	0	49,000	0
Reclassification of income taxes from current to deferred	0	618,000	0	618,000
Working Capital Used For:				
Cost of acquisition of subsidiary	6,370,000	1,832,000	9,185,000	2,528,000
Including working capital deficiency	1,260,000	0	1,260,000	516,000
Purchase of fixed assets	3,695,000	550,000	6,386,000	952,000
Repayments of long-term debt and changes in current position	522,000	154,000	924,000	426,000
Other	(4,000)	0	413,000	10,000
Dividends	413,000	363,000	0	363,000
Increase (decrease) in working capital	5,886,000	1,067,000	8,983,000	2,267,000
Working capital, beginning of period	484,000	765,000	202,000	261,000
Working capital, end of period	253,000	187,000	535,000	691,000
	\$ 737,000	\$ 952,000	\$ 737,000	\$ 952,000

Note: The company acquired the minority shareholdings of Dyer Equipment Manufacturing Ltd. effective October 1, 1980.

The acquisition equation for the purchase of the minority interest is as follows:

Recorded minority interest at Sept. 30/80

Goodwill

Purchase consideration

Lee Burr

Digitech's New Thrust

Directors:

Stephen D. Adams, Assistant General Manager,
Bank of British Columbia, Edmonton, Alberta
Richard Burke, Vice President, Canadian Enterprise
Development Corporation Limited, Vancouver, B.C.
Donald C. Burtt, President, Digitech Ltd.,
Calgary, Alberta
E. Keith Conrad, Partner, Conrad, Bloomenthal,
Calgary, Alberta
David B. Nicholson, Management Consultant,
Calgary, Alberta
Donald W. Simpson, Executive Vice President,
Digitech Ltd., Calgary, Alberta
Donald G. Thurston, Vice President, Bow Valley
Resource Services Ltd., Calgary, Alberta

Officers:

Donald C. Burtt, President
E. Keith Conrad, Chairman of the Board
Donald W. Simpson, Executive Vice President
W. D. DeGraff, Secretary-Treasurer
Hilton G. Hack, Vice President
Neil M. Thompson, Vice President

Head Office: Digitech Ltd.

15th Floor, Bradie Building
630 - 6th Avenue S.W.
Calgary, Alberta T2P 0S8

Transfer Agents and Registrars:

Montreal Trust Company
Calgary, Toronto and Vancouver

Auditors:

Price Waterhouse & Co.
Calgary, Alberta

Legal Counsel:

Macleod Dixon
Calgary, Alberta

Bankers:

The Toronto Dominion Bank
Calgary, Alberta

Stock Listed:

Toronto Stock Exchange



Geophysical Services



Digiseis Exploration Ltd. Digiseis Exploration Inc.

Digiseis Exploration Ltd. and its American counterpart, Digiseis Exploration, Inc. are geophysical data acquisition contractors. Together they serve western Canada and the Rocky Mountain region of the United States to further complement Digitech's total capability package.

In order to meet the demands of today's highly complex exploration environment, crews are equipped with electronic floating point instruments in order to record seismic field data.

Canadian crews use dynamite to generate the initial sonic impulse for recording. In place of dynamite, our American crews use a technique known as "Vibroseis."* In this process, a large tractor fitted with a special hydraulic ram generates sonic signals in the earth at regular intervals. Vibroseis is widely used in populated areas and under special structural formations.



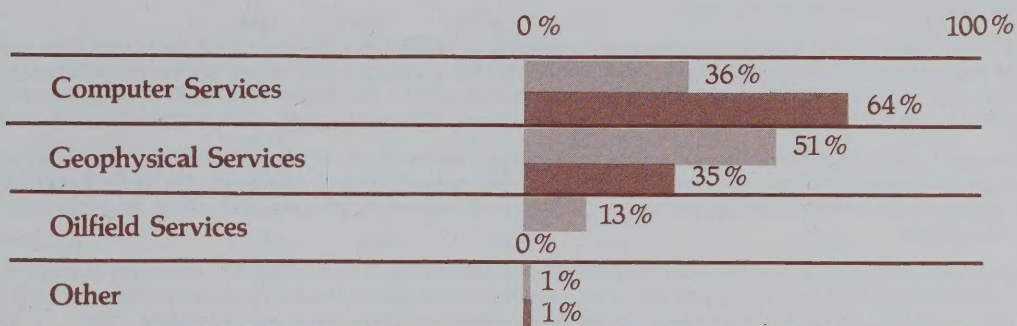
A core of highly skilled personnel teamed up with sophisticated equipment ensures the client of the most reliable and consistent data obtainable in the field. The Digiseis companies have acquired the confidence of the industry for high quality recording and excellent productivity.

**Registered trademark of Continental Oil Co.*



Digitech's New Thrust

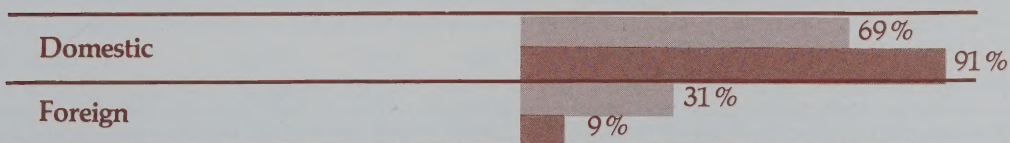
Revenue by Industry



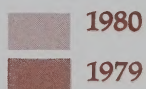
Revenue by Source



Income by Source



Financial Highlights



President's Message

DIGITECH LTD. has just completed one of the most successful years in the history of the company. Gross revenue totalled \$22,614,000 in fiscal 1980 as compared to \$12,715,000 in fiscal 1979. Net profit was \$1,198,000 after minority interest was deducted resulting in an earnings per share of \$0.45. Earnings per share before minority interest was \$0.67 per share as compared to \$0.61 per share in the prior year.

Fiscal 1980 also saw the greatest expansion in the history of DIGITECH LTD. During the year, three new subsidiaries were added to the corporation. On September 1, 1979 DIGITECH LTD. purchased 75% of the shares of PENNINGTON DRILLING & BLASTING LTD. of Edmonton. PENNINGTON is active in seismic drilling and also in blasting for drilling sites, pipeline, rights of way, and road construction etc. During the year, three new seismic drills were added to the complement of available equipment.

On January 1, 1980, DIGITECH LTD. purchased 100% of the shares of CANAN CEMENTERS CO. LTD. of Calgary and immediately began an expansion of this company by adding several cementing units along with the cement bulkers and blenders. Further expansion of CANAN is envisaged as the Company will expand into the well stimulation business with the addition of fracturing services.

Geographical expansion is foreseen with the formation of CANAN WELL SERVICES INC. which will operate out of Oklahoma headquarters offering well cementing and fracturing services. These operations are scheduled to commence in the first half of fiscal 1981. CANAN also will open a Grande Prairie office offering similar services in September, 1980.

On June 1, 1980, DIGITECH LTD. acquired the manufacturing division of CEDA Manufacturing & Sales Ltd. This division will be known as DYER EQUIPMENT MANUFACTURING LTD. and will continue to manufacture industrial cleaning equipment as well as cementing and fracturing units and other oilfield equipment.

DIGISEIS EXPLORATION INC. of Denver completed a successful year with two "Vibroseis" crews operating in the U.S.A. These crews were both fully contracted all year and another busy year is forecast for fiscal 1981. A third "Vibroseis" crew is budgeted to begin operations in the U.S.A. in May, 1981.

DIGISEIS EXPLORATION LTD. of Calgary also contributed significantly to the revenue and profits of DIGITECH LTD. These operations were expanded from two dynamite crews to three crews in October, 1979. All crews were fully contracted until the end of March, 1980 when the seasonal spring break road bans caused all operations to cease. One of the dynamite crews was subsequently sent to the U.S.A., where it has been working during the summer and fall season. Whether this crew will return to Canada for the winter will be determined later in the year by how the demand for geophysical crews materializes. The political uncertainty over energy resource control and pricing has caused a great deal of uneasiness among geophysical contractors in Canada with the resultant establishment of operations in the United States.

In June, 1980 DIGITECH LTD. made an offer to the minority shareholders of DIGISEIS EXPLORATION LTD. and DIGISEIS EXPLORATION INC. to acquire their interest in the DIGISEIS companies in exchange for DIGITECH LTD. stock. This offer was accepted and DIGITECH LTD. now owns 100% of both DIGISEIS companies. The effective date was June 30, 1980.

PENNINGTON DRILLING & BLASTING LTD. had an excellent fall and winter season but the seasonal slowdown in the seismic industry starting in April had an adverse effect on the profits of this company. However, the blasting business which is also seasonal but countercyclical to the seismic drilling is expected to offset the low summer seismic activity.

DIGITECH SYSTEMS showed a drop in profits from those reported in fiscal 1979 due to two factors, (1) downturn in the seismic processing market in the summer and fall of 1979, and (2) the cost of increasing computer capacity through the purchase of the 1100/81. To offset the seasonal variation in the seismic market, DIGITECH SYSTEMS are developing new software in the synthetic seismogram and seismic modelling field which should be available for marketing later this autumn. It is not expected that these products will be available in time to have a material effect on sales in this fiscal year but we expect some positive effect on earnings during the summer of 1981. These products should also help fill unused computer capacity. DIGITECH SYSTEMS has other products and software on the drawing board and is constantly in the process of development of software in this rapidly changing computer industry.

This generally outlines our operations during the past fiscal year. We look forward with confidence to fiscal 1981 with more widely diversified products and services. Also, I think it is significant that our diversification has taken place geographically as well with strategically located operations of DIGISEIS EXPLORATION INC. in the Rocky Mountain area of the United States and with CANAN WELL SERVICES INC. location in the Oklahoma area. It is anticipated that further diversification and expansion of our services and products will take place in fiscal 1981 and we will continue to strive to offer better service and products to our customers.

In closing I would like to extend my appreciation to all our employees for the service that they have rendered to the Company. I would also like to thank our Chairman of the Board, E. Keith Conrad, and all the Directors for the advice that has been so helpful and the excellent relationship that has existed during the past year.



D. C. BURTT
President

OCTOBER 28, 1980

DIGITECH LTD.
EIGHT YEAR STATISTICAL REVIEW

(Thousands of Dollars)

	1980	1979	1978	1977	1976	1975	1974	1973
REVENUE	\$22,614	\$12,175	\$5,973	\$4,399	\$3,729	\$4,949	\$4,165	\$3,326
EXPENSES								
Operating	14,446	7,153	3,633	3,211	2,718	3,580	2,958	2,453
Selling and administration	1,533	1,389	907	648	704	873	700	595
Interest —								
Long-term debt	1,044	250	59	68	77	95	113	142
Other	187	14	9	9	—	31	39	12
Share of loss of subsidiaries	—	—	—	40	156	18	30	(12)
Depreciation	1,944	674	180	181	310	362	263	321
	19,154	9,480	4,788	4,157	3,965	4,959	4,103	3,511
Earnings (loss before taxes)	3,460	2,695	1,185	242	(236)	(10)	62	(185)
Provision for income taxes	1,678	1,149	580	134	8	48	93	—
Earnings (loss)	1,782	1,546	605	108	(244)	(58)	(31)	(185)
Minority interest (loss)	584	195	(19)			—	—	—
Earnings (loss) before extraordinary item	1,198	1,351	624	108	(244)	(58)	(31)	(185)
Extraordinary item								
Gain (loss) from discontinuance of certain operations	—	—	—	(11)	(219)	(91)	(167)	—
Reduction in income taxes	—	381	322	134	8	48	93	—
	—	381	322	123	(211)	(43)	(74)	—
Net earnings for the year ...	1,198	1,732	946	231	(455)	(101)	(105)	(185)
Retained earnings (deficit), beginning of year	1,414	279	(667)	(898)	(443)	(342)	(237)	(52)
Dividends	695	597	—	—	—	—	—	—
Retained earnings (deficit), end of year	\$1,917	\$ 1,414	\$ 279	\$(667)	\$(898)	\$(443)	\$(342)	\$(237)

DIGITECH LTD.

Consolidated Balance Sheet

as at June 30, 1980

	1980	1979 (Restated — Note 7)
ASSETS		
Current Assets:		
Cash and term deposits	\$ —	\$ 1,245,000
Accounts receivable — rights issue	2,590,000	—
— trade and other	6,046,000	2,878,000
Inventories (Note 6)	1,077,000	301,000
Prepaid expenses and deposits	108,000	86,000
	<u>9,821,000</u>	<u>4,510,000</u>
Investment in seismic survey joint ventures	641,000	200,000
Fixed assets (Note 2)	12,209,000	6,161,000
Goodwill	<u>2,810,000</u>	<u>43,000</u>
	<u>\$25,481,000</u>	<u>\$10,914,000</u>

Auditors' Report

To the Shareholders of
Digitech Ltd.

We have examined the consolidated balance sheet of Digitech Ltd. as at June 30, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at June 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Calgary, Alberta
August 29, 1980

Chartered Accountants

	1980	1979 (Restated — Note 7)
LIABILITIES, SHARE CAPITAL AND RETAINED EARNINGS		
Current Liabilities:		
Bank indebtedness (Note 4)	\$ 1,147,000	\$ —
Accounts payable and accrued	2,519,000	1,778,000
Deferred revenue	24,000	102,000
Current portion of long-term debt — to be repaid from proceeds of rights issue	2,500,000	—
— to be repaid from other sources	2,119,000	1,237,000
Income taxes payable	977,000	258,000
	<u>9,286,000</u>	<u>3,375,000</u>
Deferred income taxes ..	1,541,000	551,000
Long-term debt less current portion (Note 4)	7,341,000	4,166,000
Minority interests (Note 12)	167,000	297,000
Share Capital (Note 3)		
Authorized —		
5,000,000 shares without nominal or par value		
100,000 preferred shares with a nominal or par value of \$20 each		
Issued —		
3,293,970 shares without nominal or par value	5,229,000	1,111,000
Retained earnings	1,917,000	1,414,000
	<u>7,146,000</u>	<u>2,525,000</u>
	<u>\$25,481,000</u>	<u>\$10,914,000</u>

APPROVED BY THE BOARD:



DIRECTOR:



DIRECTOR:

DIGITECH LTD.

Consolidated Statement of Income

For the Year Ended June 30, 1980

	1980	1979 (Restated — Note 7)
Revenue	\$22,614,000	\$12,175,000
Expenses:		
Operating	14,446,000	7,153,000
Administration	1,533,000	1,389,000
Interest —		
Long-term debt	1,044,000	250,000
Other	187,000	14,000
Depreciation and amortization	1,944,000	674,000
	19,154,000	9,480,000
Earnings before the following	3,460,000	2,695,000
Income taxes — current	260,000	243,000
— deferred	1,418,000	906,000
	1,678,000	1,149,000
Earnings before minority interests and extraordinary item	1,782,000	1,546,000
Minority Interests	584,000	195,000
	1,198,000	1,351,000
Extraordinary item		
Recovery of income taxes	—	381,000
Net Earnings for the year	1,198,000	1,732,000
Retained Earnings beginning of year	1,414,000	279,000
Less: Dividends paid	(695,000)	(597,000)
Retained Earnings, end of year	\$ 1,917,000	\$ 1,414,000

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Consolidated Statement of Changes in Financial Position

For the Year Ended June 30, 1980

	1980	1979 (Restated — Note 7)
Working Capital Provided By:		
Operations		
Earnings before extraordinary item.....	\$ 1,198,000	\$1,351,000
Add non-cash items —		
Depreciation	1,944,000	674,000
Minority interests	584,000	195,000
Deferred income taxes	1,418,000	906,000
Other	—	6,000
	<u>5,144,000</u>	<u>3,132,000</u>
Extraordinary item — net of non-cash item	—	26,000
Issue of share capital		
Digitech Ltd.	4,118,000	157,000
Minority interests — subsidiaries	—	9,000
Issue of long-term debt	8,022,000	5,185,000
Other	388,000	7,000
	<u>17,672,000</u>	<u>8,516,000</u>
 Working Capital Used For:		
Acquisition of subsidiary companies, net of working capital acquired of \$143,000 (Note 12)	6,729,000	—
Investment in seismic survey joint ventures	441,000	240,000
Purchase of fixed assets	4,780,000	6,310,000
Repayment of long-term debt and changes in current portion	5,627,000	1,684,000
Dividends	695,000	597,000
	<u>18,272,000</u>	<u>8,831,000</u>
Decrease in working capital	(600,000)	(315,000)
Working capital, beginning of period	1,135,000	1,450,000
Working capital, end of period	\$ 535,000	\$1,135,000

Notes to Consolidated Financial Statements

June 30, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of DIGITECH LTD. and its subsidiaries, as follows:

DIGITECH Inc. (inactive)	100%
DIGISEIS Exploration Ltd.	100%
DIGISEIS Exploration Inc.	100%
Pennington Drilling and Blasting Ltd.	75%
Canan Cementers Co. Ltd.	100%
Dyer Equipment Manufacturing Ltd.	69%
(formerly 22251 Alberta Ltd.)	

GOODWILL

The excess of acquisition cost over underlying book value of net assets at the date of purchase has been accounted for as goodwill, and is being amortized on a straight line basis over periods of up to ten (10) years.

INVENTORIES

Geological, geophysical, and manufacturing work in progress is valued at the lower of estimated cost or net realizable value, and other inventories at the lower of cost or replacement cost.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization is provided on the straight line basis at rates which are designed to amortize the cost of the assets over their estimated useful lives, up to the maximum periods shown below:

Computer equipment and accessories	7 years
Furniture and fixtures	10 years
Leasehold improvements	lease term
Buildings and improvements	25 years
Field equipment	7 years

FOREIGN EXCHANGE TRANSLATION

Transactions in U.S. dollars together with the accounts of DIGISEIS Exploration Inc. have been translated to Canadian dollars; fixed assets at historical exchange rates, all other assets and liabilities at the year end exchange rate, and revenue and expenses, except for depreciation and amortization, at the average monthly rate of exchange. Resulting gains or losses are reflected in earnings.

INVESTMENT IN SEISMIC SURVEY JOINT VENTURES

Investments in seismic surveys are accounted for on the equity basis whereby the initial cost is adjusted to include the Company's share of any profits or losses less any distributions received since acquisition.

2. FIXED ASSETS

	Cost	Accumulated depreciation and amortization	1980 Net Book value	1979 Net Book value
Computer equipment and accessories ..	\$ 3,619,000	\$1,133,000	\$ 2,486,000	\$2,886,000
Field equipment and vehicles				
— Purchased	9,232,000	1,684,000	7,548,000	2,063,000
— Under capital lease	789,000	171,000	618,000	890,000
Buildings	341,000	2,000	339,000	—
Leasehold improvements	400,000	176,000	224,000	195,000
Furniture and fixtures	305,000	156,000	149,000	107,000
Land	250,000	—	250,000	—
Other assets	600,000	5,000	595,000	20,000
	<u>\$15,536,000</u>	<u>\$3,327,000</u>	<u>\$12,209,000</u>	<u>\$6,161,000</u>

3. SHARE CAPITAL

DIGITECH LTD. is authorized to issue 5,000,000 shares without nominal or par value. The Company issued to Shareholders of Record at the close of business on June 9, 1980 Rights to subscribe for One additional Common Share for each Six Common Shares held at a price of Six Dollars (\$6.00) on or before June 30, 1980. As at June 30, 1980 the Company had issued 431,702 shares for a net cash consideration of \$2,541,893 after deducting expenses, net of applicable income taxes, of \$48,319. Under the additional subscription privilege of this Rights Offering the Company will issue an additional 10,302 shares for a cash consideration of \$61,812 after June 30, 1980.

The Company and the minority shareholders of DIGISEIS Exploration Ltd. and DIGISEIS Exploration Inc. have entered into agreements dated June 30, 1980 under which DIGITECH Ltd. will issue Treasury Stock in exchange for the minority shareholdings in these Companies. The effect of the purchase has been reflected in the accounts as at June 30, 1980 and the actual shares issued subsequent to that date (Note 12).

DETAILS OF COMMON SHARES ISSUED DURING 1980

	1980		1979	
	Number of Shares	Net Proceeds	Number of Shares	Net Proceeds
Outstanding, beginning of year	2,652,028	\$1,111,000	2,136,764	\$ 954,000
Rights Offering	431,702	2,542,000	—	—
Options	—	—	492,264	148,000
Employee Stock Options	—	—	23,000	9,000
Acquisition Agreement	210,240	1,576,000	—	—
Outstanding, end of year	<u>3,293,970</u>	<u>\$5,229,000</u>	<u>2,652,028</u>	<u>\$1,111,000</u>

Of the authorized but unissued common stock, 17,180 shares were reserved under the Employee Stock Option Plan as at June 30, 1980. 4,000 shares have been allocated under the Plan and are exercisable at \$0.40 per share until July 31, 1981.

4. LONG-TERM DEBT

	1980	1979
Canadian Bank debt* evidenced by demand notes at rates to prime plus 1¼% over terms of 40 to 84 months, secured by guarantees and equipment (includes U.S. \$605,000) ...	\$10,458,000	\$3,557,000
13.69% Promissory Note, secured by equipment, repayable in 36 blended monthly instalments of principal and interest commencing July, 1979	250,000	358,000
7¼% Promissory Notes, unsecured, carrying restrictions on incurring debt and lease commitments and other matters, repayable in equal annual instalments to 1981	195,000	318,000
Promissory Note, repayable in 1982 including interest at prime plus 1¼%	200,000	—
8% Promissory Notes, unsecured, interest payable annually to shareholders formerly minority shareholders	130,000	303,000
Promissory Note payable to minority shareholder, no interest	142,000	—
10¼% Chattel Mortgages due in monthly instalments	9,000	29,000
Obligations under capital leases with interest at 15.69% payable in U.S. funds in monthly instalments at various dates up to 1983	576,000	838,000
	<u>11,960,000</u>	<u>5,403,000</u>
Less: current portion to be repaid		
— from proceeds of rights issue	2,500,000	—
— from other sources	2,119,000	1,237,000
	<u>4,619,000</u>	<u>1,237,000</u>
	<u>\$ 7,341,000</u>	<u>\$4,166,000</u>

* Bank indebtedness included in current liabilities is secured by a chattel mortgage over equipment and a registered general assignment of book debts. Certain shareholdings in subsidiary companies are also pledged as collateral.

Amounts due in each of the next five years:

	Obligations Under Capital Lease	Other Long Term Debt	Total
1981	\$242,000	\$ 4,456,000	\$ 4,698,000
1982	242,000	1,953,000	2,195,000
1983	242,000	1,244,000	1,486,000
1984	—	1,203,000	1,203,000
1984	—	1,331,000	1,331,000
	726,000	10,187,000	10,913,000
Less: imputed interest	150,000	—	150,000
	\$576,000	\$10,187,000	\$10,763,000

11. INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

The following tables provide an analysis of DIGITECH LTD.'S:

- Revenue, Operating Income (earnings before income taxes), and Assets by industry segment and geographic area.
- Depreciation expense and Capital expenditures by industry segment.

INDUSTRY SEGMENTS — FISCAL 1980 (\$ thousands)

	Revenue	Deprecia- tion	Operating Income	Assets	Capital Expendi- ture
Computer Services	\$ 7,874	\$ 459	\$1,277	\$ 7,488	\$ 88
Oilfield Services	2,926	432	544	9,787	3,371
Geophysical Services	11,587	1,053	2,870	8,206	1,321
General Corporate	227	—	—	—	—
Interest	—	—	(1,231)	—	—
TOTALS	\$22,614	\$1,944	\$3,460	\$25,481	\$4,780

INDUSTRY SEGMENTS — FISCAL 1979 (\$ thousands)

	Revenue	Deprecia- tion	Operating Income	Assets	Capital Expendi- ture
Computer Services	\$ 7,818	\$150	\$2,210	\$ 5,985	\$2,920
Geophysical Services	4,218	524	749	4,929	3,390
General Corporate	139	—	—	—	—
Interest	—	—	(264)	—	—
TOTALS	\$12,175	\$674	\$2,695	\$10,914	\$6,310

GEOGRAPHIC SEGMENTS — FISCAL 1980 AND 1979

	1980			1979		
	Revenue	Operating Income	Assets	Revenue	Operating Income	Assets
United States	\$ 5,323	\$1,489	\$ 3,502	\$ 2,007	\$ 264	\$ 3,350
Canada	17,064	3,202	21,979	10,029	2,695	7,564
	22,387	4,691	25,481	12,036	2,959	10,914
General Corporate	227	—	—	139	—	—
Interest	—	(1,231)	—	—	(264)	—
TOTALS	\$22,614	\$3,460	\$25,481	\$12,175	\$2,695	\$10,914

6. INVENTORIES

	1980	1979
Computer tapes, spare parts and supplies	\$ 140,000	\$119,000
Oilfield services supplies	684,000	—
Geophysical supplies and work in progress	253,000	182,000
	<u>\$1,077,000</u>	<u>\$301,000</u>

7. INCOME TAXES

The previously reported 1979 current income tax expense and income taxes payable, and the deferred income tax expense and deferred income taxes have been reduced and increased respectively in the amount of \$444,000 as a result of increased capital cost allowance claims allowed under a submission to Revenue Canada Taxation.

8. EARNINGS PER SHARE

	1980	1979
Earnings before minority interest and extraordinary items	<u>\$0.67</u>	<u>\$0.61</u>
Earnings before extraordinary item	<u>\$0.45</u>	<u>\$0.53</u>
Extraordinary item	—	0.15
Net earnings for the year	<u>\$0.45</u>	<u>\$0.68</u>

Fully diluted earnings per share are not significantly different from basic earnings per share.

9. COMMITMENTS

The Companies' equipment operating leases and maintenance commitments total approximately \$1,400,000 per year through 1984. The premises leases aggregate approximately \$470,000 per year. The major premises lease expires in 1983.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of Directors and Senior Officers, including performance bonuses, amounted to \$481,000 during fiscal 1980, and \$508,000 during fiscal 1979.

11. AMOUNT DUE FROM SHAREHOLDERS

An amount of \$2,000 arising from a Share Purchase Agreement is due from a Shareholder who is a Director and Officer.

12. ACQUISITIONS

PENNINGTON DRILLING & BLASTING LTD.

On September 1, 1979, the Company purchased 75% of the issued and outstanding shares of Pennington Drilling & Blasting Ltd. ("Pennington") for the sum of \$137,500 and a commitment to providing financing to Pennington in the amount of \$425,000. Of the cash portion of the purchase price, the sum of \$1.00 has been paid as at the date hereof. The purchase price will be adjusted based on a formula relating to prescribed pretax earnings in 1980, 1981 and 1982. Management considers that the full purchase price of \$137,500 will be paid in 1982 and adjustments in the amount assigned to goodwill will be made in 1983. The vendor has retained 25% of the shares and provides continuing management services in his capacity as an officer and director of Pennington. Pennington's principal business activities consist of providing shothole drilling services to the exploration industry in Western Canada and pipeline right-of-way and drilling site preparation blasting services in Western Canada and the Arctic.

The acquisition has been accounted for as a purchase. The major assets are summarized in the following acquisition equation.

Current assets	\$449,359
Current liabilities	541,008
Working capital	(91,640)
Fixed assets	497,194
	<u>405,545</u>
Less: long term debt (including due to Digitech Ltd. of \$425,000)	780,616
Net assets	(375,071)
Purchase consideration	1
Excess	<u>\$375,072</u>
Assigned to: fixed assets	\$243,762
Goodwill	131,310
	<u>\$375,072</u>

CANAN CEMENTERS CO. LTD.

On January 1, 1980, 100% of the issued and outstanding shares of Canan Cementers Co. Ltd. ("Canan") were acquired for a cash consideration of approximately \$4.3 million and the execution of a purchase agreement whereby certain assets not essential to the business of Canan, primarily investments in oil and gas and real property were purchased from Canan prior to closing. Canan is engaged in the oil well completion service business, and has operations in Saskatchewan and Alberta. The vendor and former management have continued with Canan since the acquisition by the Company.

The acquisition is summarized as follows:

Current assets	\$1,662,904
Current liabilities	1,427,787
Working capital	235,117
Fixed assets and investments	1,174,419
Total assets	1,409,536
Less: shareholders' loans and assets purchased by vendor	753,935
Net assets	655,601
Purchase consideration	4,299,000
Excess	\$3,643,399
Assigned to: fixed assets	\$1,609,007
Goodwill	2,034,392
	<u>\$3,643,399</u>

DYER EQUIPMENT MANUFACTURING LTD.

On June 1, 1980 the Company acquired 69% of Dyer Equipment Manufacturing Ltd. ("Dyer"), (formerly 222251 Alberta Ltd.) for a purchase consideration of \$414,000 of which \$41,400 was allocated to goodwill. Effective June 1, 1980 Dyer purchased the manufacturing assets of Ceda Manufacturing & Sales Ltd. (Ceda) for \$985,968 payable by cash of \$785,968 and a promissory note of \$200,000.

The purchased assets are:

Inventory	\$438,470
Work in progress (net)	47,498
Fixed assets	499,999
Goodwill	1
	<u>\$985,968</u>

Ceda has made certain representations regarding the operations purchased which guarantee that the Company is not responsible for third party liabilities incurred prior to June 1, 1980 and which guarantee specified levels of purchases from Dyer.

DIGISEIS EXPLORATION LTD. (Note 3)

The acquisition equation for the purchase of the minority interest in Digiseis Exploration Ltd. is as follows:

Recorded minority interest at June 30, 1980	\$495,521
Goodwill	260,639
Purchase consideration	<u>\$756,160</u>

DIGISEIS EXPLORATION INC. (Note 3)

The acquisition equation for the purchase of the minority interest in Digiseis Exploration Inc. is as follows:

Recorded minority interest at June 30, 1980	\$364,091
Goodwill	456,709
Purchase consideration	<u>\$820,800</u>



Pennington Drilling & Blasting Ltd.

Having provided the essential background services – seismic data acquisition – Digitech adds Pennington Drilling & Blasting Ltd.

Pennington Drilling & Blasting Ltd. provides drilling and dynamiting services to the seismic exploration industry in western Canada and the Arctic. They also provide blasting services for well site preparation, pipeline routes and mining access routes. In this capacity, Pennington has proved an able partner to its sister company, Digiseis, which records the data generated by dynamite blasting.



Oilfield Services



Canan Cementers Co. Ltd.

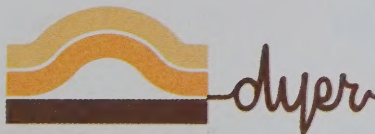
The acquisition of Canan Cementers Co. Ltd. in January, 1980 has enabled Digitech to provide well completion services in southeastern Alberta and Saskatchewan. Expansion of this operation began with the opening of an office in Grande Prairie, Alberta and the establishment of fracturing and acidizing capability through the Calgary Head Office.

Canan Well Services Inc., our new American counterpart, serves Kansas, Missouri and Oklahoma and has recently opened an office in Tulsa, Oklahoma.

Both Canan companies include full service capability. Initially Canan provides the cementing of surface casing and production casing necessary to isolate producing zones from any water areas in order to free the production zones. Cementing is also necessary in order to seal off non-producing wells with cement plugs. Canan operates a fleet of transportation and cementing units and support equipment geared to the client's drilling requirements.

In improving well productivity, permeability around the wellbore is stimulated through acidizing or fracturing. Canan utilizes hydraulic fracturing techniques including water, oil and emulsion fracing. Canan can also provide fracturing services through the use of liquid carbon dioxide, which is used extensively in shallow gas wells.

Canan's services ensure that all drill sites meet government safety regulations. The company's functions also increase the efficiency and output of a well by preventing the various formations from commingling. These services are an essential part of the oil business, services we feel are important and vital to our clients.



Dyer Equipment Manufacturing Ltd.

As a natural extension of the cementing well completion and fracturing services provided through Canan, a new division became part of the Digitech family.

Dyer Manufacturing Ltd. was formed from the Equipment Manufacturing Division of Ceda Manufacturing and Sales Ltd. Digitech Ltd. and former employees of Ceda participated in the establishment of this new subsidiary which is responsible for the fabrication of cementing and fracturing equipment for well completion and stimulation.

Dyer also manufactures a wide range of oilfield service equipment such as pressure testing equipment, service rig pumping units, hot oilers, endless tubing units, chemical cleaning units and a full line of industrial cleaning equipment.

The equipment manufactured by Dyer makes it a useful partner to Digitech companies in addition to better serving our clients.

Digitech moves ahead with a keen eye on the future. We look forward to a continuing program of diversification, in step with the changing energy scene. And we look forward to better serving our clients in a total capacity. Our philosophy of constantly upgrading and expanding our areas of expertise is helping us achieve our goals. We'd be proud to offer our complete range of services to meet your company's goals.



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